

◆

# FATHER-SON FARMING ARRANGEMENTS



By

**Phil S. Eckert**

*formerly with*

*Department of Rural Economics and Rural Sociology  
The Ohio State University*

Reprinted, JUNE, 1945

# Father-Son Farming Arrangements

. .

FATHER SON farming arrangements may be divided into two general groups. First, those in which the father and son live and work together on the farm, cooperate in planning the farm business and in fulfilling the labor requirement, and share the rewards of their efforts. The son, as apprentice, benefits from his father's experience and counsel as they work together.

Secondly, there are those arrangements in which the son's apprenticeship is assumed to be finished and he is largely on his own resources. He may operate the home farm after the father has ceased participating in labor and management, or he may operate a second farm owned by the father. In either case, the arrangement often is much the same as the customary landlord-tenant setup and usually does not have a close working relationship between father and son.



In order to help persons interested in a father son farm arrangement, the Department of Rural Economics and Rural Sociology of the Ohio State University made a study of such farming arrangements during the summer of 1941 in 30 Ohio counties, and this bulletin is based on that study.

## SON SHARES RESPONSIBILITIES AS HE QUALIFIES

The desirability of giving sons an early start in practical farm operations was thoroughly impressed on the writer during this study. Many of the most prosperous and progressive father-son arrangements were those in which the son had taken an active interest in the farm while he was yet in grade school or high school.

Although the parents were mainly responsible for the son's interest, they often pointed out that they had most helpful cooperation in the vocational agriculture and 4-H Club programs. Many sons who were interviewed pointed out the practical farm value of the sow and litter, the farm accounts, or other vocational agriculture project which they had completed in high school. Others put equal emphasis on the value of their 4-H Club training. In Hardin County, for example, a son who is raising prize-winning dairy cattle today said that a 4-H calf club project was mainly responsible for his start in the business. Similar situations could be cited for almost every county of the State.

When a farm boy finishes his schooling, usually he is ambitious to test his talents against the problems of the vocation which he selects. He wants to feel that he is needed and that his activities fit into the scheme of things. If he decides to devote his energies to cooperating with his father on the home farm, he should feel or at least have the opportunity to experience the thrill of responsibility and the satisfaction of seeing his own work well done.

 ACKNOWLEDGMENT The writer is indebted to J. I. Falconer, Department of Rural Economics and Rural Sociology, The Ohio State University for help in organizing this study and in writing the report 

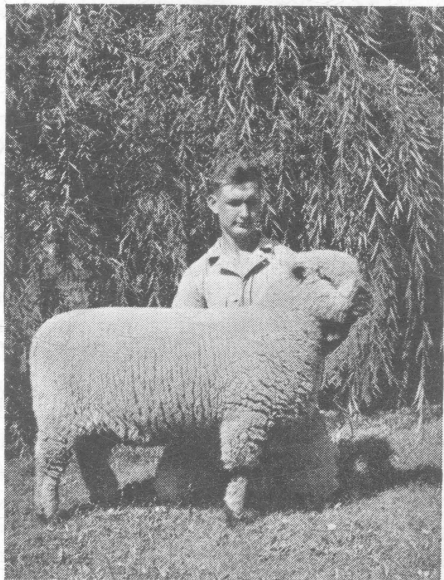
## MAKING ROOM FOR SON

Personal satisfactions are important, sometimes more important than the monetary considerations involved. Nevertheless, the purely personal factors are often neglected by the parents of grown sons. At least two reasons account for this neglect or oversight.

In the first place, it is difficult for parents to realize that their son has become an adult and that he is ready to take his place in the workaday world. If they do realize this fact, they hesitate to accept it, because they feel that their son reaching maturity represents a parting of the ways, an end to a most enjoyable period of their lives.

Secondly, parents often neglect to make room for their son's activities, because to do so usually necessitates a change in the farm organization. It is natural for a farmer who has spent years in organizing his farm into a successful unit to oppose, at least mentally, changes in that organization. *And yet, in most cases, the organization must be changed, if the arrangement between the father and the son is to succeed.* In case the son is married, suitable housing arrangements should be provided.

The change made in the farm organization to make room for the son normally takes one of two forms, although it may take both. Since the son usually contributes labor and management, the adjustment necessary is either (1) dispensing with previous sources of labor and management, or (2) adding sufficient capital (land, buildings, equipment, and live-stock) to balance the labor and management contributed by the son. If this adjustment is *not* undertaken, the production factors will be out of balance, and, as one Ohio farmer phrased it, "The son will feel like a parasite."



Many sons have developed an early interest in farming through assuming the responsibilities and rewards of a single farm enterprise or part of an enterprise.

*Son Replaces Present Labor.*—There are two common methods of adjusting the supply of labor and management. Ordinarily, this adjustment is made by a cessation of labor and management on the part of the father. He may have reached the age where he desires some letdown in his activities, or he may wish to transfer all or part of his energies to a non-farm occupation. Several instances were discovered where the father had made room for his son on the farm by becoming township trustee, farm insurance

agent, village postmaster, county treasurer, farmers' cooperative manager, production credit association field man, agricultural conservation program committeeman, and others.

The other method of adjusting the supply of labor and management to make room for the son was to stop hiring outside labor. Several farmers stated that they had *not* done this, because the hired man had been with them so long that he was "nearly a member of the family."

*Increasing Capital to Make Room for Son.*—The most usual way of making room for the son was by adding more farm capital with which the son could operate, not by dropping previous sources of labor and management. This procedure involves intensification and or extensification. A geographical difference was noted in this regard. In the eastern and north-eastern counties of the State, the adjustment was usually that of greater intensification, while in the western and northwestern counties it was more usual to extensify.

*Greater Use of Present Farm.*—Several methods of intensifying were found to be in use. Of these, dairying was undoubtedly the most prevalent, with poultry and egg production a close second. Other farmers increased the amount of their livestock feeding, some developed orchards and small fruits, and some began the production of potatoes. Still others took up the processing and retail distribution of farm products, notably milk. In one three-son family, the father and one son produced the milk and the other two sons processed and distributed it. One son in northeastern Ohio reported spending all of his working time in the marketing of eggs which his father produced. Also, in northeastern Ohio, a son was operating a roadside stand from which he marketed the fruits and vegetables his father produced.

Another interesting method of intensification which was found in several areas was that of producing a specialty such as certified seeds or purebred livestock. In Portage County, one farmer gave his son the job of developing a maple syrup enterprise from the untapped grove on the farm. In some of the hill counties, farmers were making room for their sons by bringing more land under cultivation through the use of strip cropping and contouring.

*Increasing the Acreage Farmed.*—Two methods of extensifying, expanding, have been used by fathers in making a place for their sons on the home farm, (1) renting, or (2) buying additional farm land. The renting of additional land is probably the more prevalent of the two methods. A number of cases were found where additional acreages were taken on, with no increase necessary in the amount of farm machinery and equipment. The only production factor needed was that of labor, and the son supplied that. Undoubtedly, an important factor in making room for sons on farms by extensifying has been the development of mechanized farming.

In some instances fathers and sons have found it impossible or impracticable to intensify or extensify to the extent necessary to absorb all of their labor and management. Rather than break their farm connections, sons in some instances have accepted part-time labor off the home farm. In western

Ohio, this often takes the form of custom work for neighbors, such as plowing, combining, and corn picking. In the northeastern part of the State, the part-time labor off the farm is usually factory employment. In Trumbull County an observer stated that nearly one-half of the grown farm sons who live at home have some non-farm employment.

In consideration of the stability and probable success of father-son farm arrangements, it would seem that the son should only attempt to get work away from the home farm after he is certain that the home farm cannot develop a demand for his services. Every attempt should be made to adjust the home farm organization to absorb his labor and management before employment is sought off the farm. Divided employment means split responsibilities and probably split enthusiasm and effort. It is difficult to develop successful father-son arrangements under such circumstances.

#### FATHER-SON FARMING ARRANGEMENTS

The lack of knowledge of the various father-son farming arrangements now in operation has held back the development of such arrangements. One farmer, whose son had taken non-farm employment, expressed the situation, "Well, we just couldn't think up any good way to set up together." In an effort to help conditions of this kind, the survey on which the suggestions in this bulletin are based was made. Participating fathers and sons were interviewed and descriptions and histories of their arrangements were obtained.

A few farmers thought that agreements with their sons should be on a strictly impartial basis. They believed that favoritism toward the son in farming arrangements would lead to softness and inability to meet periods of adversity.

The majority of fathers, however, believed that father-son farming arrangements cannot be looked upon strictly as landlord-tenant setups. The general over-all difference is what might be called son favoritism. Many farmers stated that their arrangements with their sons were much more favorable than they would think of making with an unrelated tenant. Most farmers maintained that this was a thoroughly sound condition, that the **problem of keeping sons on farms rests squarely on the parents' shoulders**, and that they should accept this responsibility, even to the point of sacrifice. It is more rational, they said, to encourage and to give their sons a good start than to adopt a shift-for-yourself attitude toward them. Many maintained that an attitude of helpfulness toward the son was doubly desirable owing to the long period of low agricultural incomes.

Son favoritism, in father-son farm arrangements, ordinarily involves some specific conditions which cause these arrangements to differ from the usual landlord-tenant contract.

For example, the customary one-third and one-half share leases in Ohio provide that the tenant furnish all of the labor necessary to operate the farm. Several father-son arrangements were found which followed the usual one-

third and one-half share contracts, with the exception that the father also devoted some or all of his labor to the farm. Obviously, such agreements provide very favorable contracts for the son. Another way in which father-son farming arrangements differ from the usual tenant agreement is in the living conditions of the son. The interviews disclosed that it was very unusual for an unmarried son to pay for his board, lodging, or laundry. These items were usually furnished without charge by the parents. However, it seemed customary to take such items into account after the son's marriage.



Enthusiastic effort and mature counsel are the natural components of a productive and efficient father-son farm enterprise.

Many farmers made explicit statements on the need for changes in the father-son agreement as the son grows older. *Not only, they said, must the farming arrangement start early in the life of the son, but it must be altered from time to time as he shows a greater ability and desire to accept more responsibilities.* They emphasized, also, that a successful father-son farming arrangement which will last a lifetime is not brought about overnight. It must be a gradual process, each step a progression of the son into the duties, responsibilities, and rewards of farm operation. Four-H Club work and the teaching of vocational agriculture have been of signal value in this respect. A very high percentage of the sons who participated in the agreements examined in this study said that their interest in agriculture as a vocation had been stimulated to a considerable extent by the farm projects initiated by these activities.

Since no two farms and no two personalities are exactly alike, the presentation of details of possible father-son arrangements probably would be of slight value. The detailed parts of these arrangements must be worked out by individual operators on their own farms. However, it is believed that the presentation of the broad outlines of various possible arrangements may be of value. The arrangements which are outlined here were all operating successfully in 1941. As far as possible, they are presented so that each succeeding arrangement will involve a greater contribution by the son to the farm labor, management, and capital.

## I. WAGES

A. *Wages Plus Incidentals*.—The incidentals referred to here differ according to the marital status of the son. If the son is unmarried they usually include room, board, laundry, and sometimes use of the family car. For the married son, the incidentals which may be furnished are living quarters (often an apartment in the home farm house or a separate house), garden, milk, eggs, meat, electricity, and cooking and heating fuel. The wage element in this arrangement is ordinarily on a weekly or monthly basis. During the survey, it was found that the wage on different farms is in no way standardized, but varies from farm to farm according to the conditions.

This father-son farming arrangement is deficient in that the son's remunerations are not closely associated with the degree of success obtained on the farm. He usually gets the same return regardless of the income of the farm, and thus there is no direct incentive for hard work and efficiency. The arrangements outlined in the succeeding paragraphs (B, C) are more desirable in this respect.

B. *Wages Plus a Bonus*.—Under this arrangement the son receives a given weekly or monthly wage and a bonus at the end of the year. The bonus is usually a percentage of the net farm income. The percentage used in determining the bonus varies from farm to farm according to the contributions of the son and the amount of wages he receives.

C. *Wages Plus Income from One or More Farm Enterprises*.—This arrangement often represents an advance of the son from a simple wage set-up to one in which he may have a more active interest in the farm's operation. It is customary for the son to have complete control of the enterprise from which he gets the income. This undoubtedly stimulates more interest than arrangements in which he has no direct responsibility. In some cases the wages are the added factor. That is, they are added after it is decided that the son's enterprise returns are inadequate. One farmer reported that wages were used as a supplement only at times when the enterprise income was exceptionally low, owing to such factors as low prices, low crop yields, or livestock disease. The kinds of enterprises customarily taken over by farm sons are indicated in paragraphs B, C, D, and E, on the following page.

## II. INCOME FROM FARM ENTERPRISES

In general, farmers believe that giving their sons the responsibility and rewards of some farm enterprise is one of the best ways to introduce these sons into the business of farming. They pointed out that this practice is not only remunerative to the son but that it is educational and interesting as well. Here again, the valuable contributions of 4-H Club and vocational agriculture training should be mentioned. In many instances the pig, calf, or other project with which these boys start is an important stepping stone toward good farming and responsible farm leadership.



A *Percentage of Net Income of the Farm* — Although the son is not given a definite enterprise responsibility in this arrangement, the remuneration is definitely tied to the successful operation of the farm. One father of three sons used this arrangement to give his sons an early interest in farming. He gave each son at the age of 10 years 2 per cent of the net farm income that year. This was increased at the rate of one-half of 1 per cent per year, so that each son was receiving 5 per cent of the net returns of the farm when he was 16 years of age.

B. *Percentage of Income from One or More Enterprises* — Dairying was usually the chief source of income where this arrangement was found. It was customary for the son to receive one-third or one-half of the milk check clear of expense. The dairy farms which used this arrangement were fairly large—15 or more cows. Several sons who were operating under this arrangement said they expected it to develop into a full one-third or one-half share setup.

C *Income from Part of One or More Enterprises.*—Sons are often allowed to own and receive the returns from parts of enterprises such as the following: 5 head of dairy cattle in a herd of 15, 15 sheep in a flock of 30; 2 sows in a total of 8; 100 hens in a flock of 300. Whether or not the son shares in the expenses on his part of the enterprise depends on its size. If it is of a size sufficient to yield a worthwhile income after payment of expenses, the son usually pays all the expenses. If not, it is customary for the father to pay all expenses and the son's income is clear.

D. *Income from One or More Enterprises.*—Under this arrangement, the son usually owns one or more enterprises which he operates himself, paying all expenses and receiving all the income. On a two-son farm in Knox County, one son operated an apple orchard, the other grew certified grain seed, and the father cultivated several acres of small fruit. They combined their efforts in caring for the dairy. In another instance, the son owned and operated the poultry and hog enterprises. Since these two enterprises took only a portion of his time, he helped his father with the dairy and grain production and was allowed to feed his hogs and poultry from feeds produced on the farm to the extent that this was possible. Sheep and potatoes are examples of other farm enterprises which were owned and operated by sons.

E. *Income from One or More Enterprises Plus Outside Rental.*—In some cases sons have taken over livestock enterprises and have experienced a shortage of farm-produced feeds, mainly because the home farm was too small. They solved this problem by renting additional land, usually on the share basis. This not only gives the son another enterprise but the two enterprises complement each other. Usually, the additional acreage is operated with the father's machinery.

### III. SON ONE-FOURTH SHARE

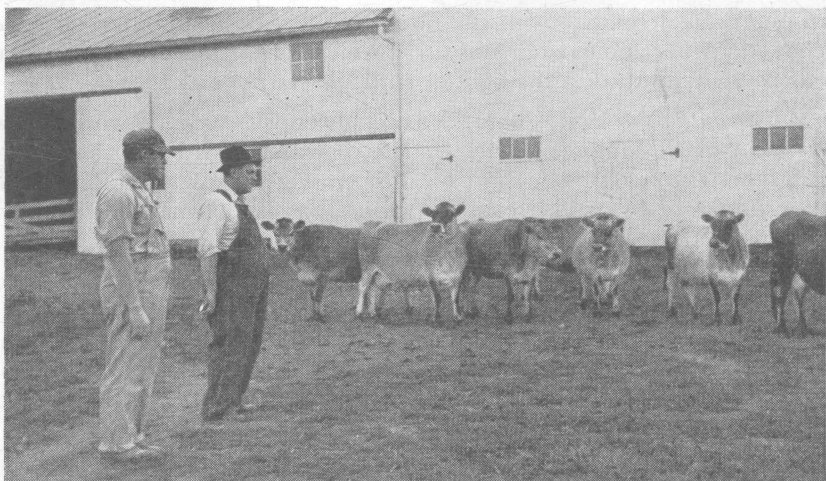
This arrangement was not prevalent at the time of the survey. Where it was found, the farms were usually large, a general type of farming was



practiced, and the father's investment in real estate was considerably above the average. Some two-son arrangements had what they called a one-fourth setup, but they can be classified more logically as one-half share arrangements with a 50-50 split between the sons. The customary one-fourth share arrangement had the following characteristics:

*Contributions of Son.*—One-fourth of all livestock excepting work horses; one-fourth of all operating expenses; a major share of the labor required.

*Contributions of Father.*—All real estate; all equipment; all work horses and three-fourths of other livestock; three-fourths of all operating expenses; all taxes, insurance, and real estate maintenance expense; a minor share of the labor required.



Sound decisions are the product of thorough discussion and study by the father and son.

*Remunerations.*—Son receives one-fourth of all the operating receipts and his board, lodging, and laundry. (Board, lodging, and laundry are mentioned specifically in this case because it is generally agreed that the arrangement would be inequitable if they were not included.) Father receives three-fourths of the operating receipts.

#### IV. SON ONE-THIRD SHARE

This arrangement was relatively prevalent in 1941. As noted previously, father-son arrangements differ from arrangements between unrelated parties and, in general, they are much less standardized. This was especially true with one-third share arrangements. In some cases, the son received one-third of the returns and contributed only his own labor. In other cases,

he contributed one-third of all chattels, one-third of all expenses, his own and some additional labor for a one-third of the receipts.

Although the conditions differed widely, it was usually possible to account for the differences. Son favoritism often caused these arrangements to differ from the usual setup, but more often these variations were the result of differences between farms in the amount and quality of the productive factors. On some farms, for example, the father contributed none of his own labor, on other farms he worked full time. In other cases, the father's capital contribution consisted of depleted soil, run-down buildings and equipment, and scrub livestock. On other farms the father's capital contribution was in excellent condition and modern in every respect.

Obviously, a standardized arrangement for such varying conditions would result in inequalities. For best results in setting up father-son arrangements, the specific conditions of every particular case must be taken into consideration. Hence, the following list of contributions attempts to show only the general conditions of the most prevalent one-third share arrangement. Many variations from this arrangement are possible and they may be thoroughly justified in the light of particular farm conditions.

*Contributions of Son.*—One-third of all livestock excepting work horses; (one-third of all equipment when father contributes his own labor to the farm, otherwise none); one-third of all operating expenses including taxes and insurance on owned personal property; all or part of the labor required, according to the conditions.

*Contributions of Father.*—All real estate; all equipment (usually two-thirds of all equipment, if he contributes his own labor to the farm); all work horses and two-thirds of all other livestock; two-thirds of all operating expenses, including taxes and insurance on owned personal property; all taxes, insurance, and maintenance expense on real estate; part or none of labor required, according to the conditions.

*Remunerations.*—Son receives one-third of all the operating receipts, father receives two-thirds.

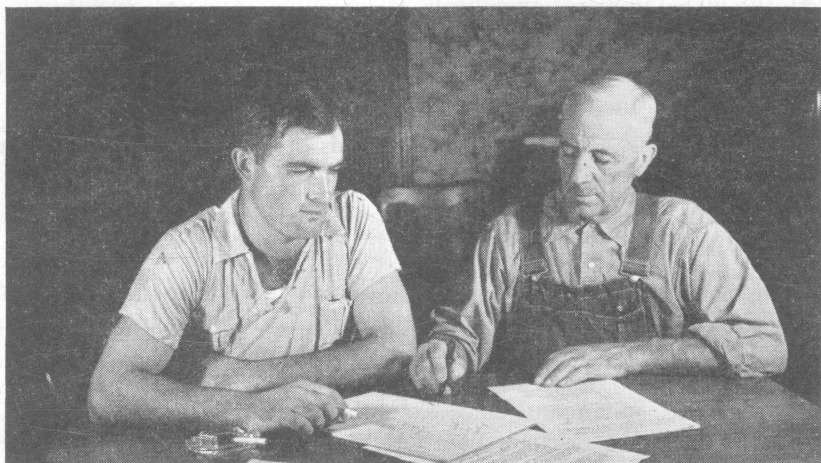
## V. SON ONE-HALF SHARE

The one-half share father-son arrangement is often the last of a series of advances of the son into the business of operating the farm. In Holmes County, a son interviewed who had passed progressively from one to the other of all the following father-son arrangements: (1) Wages, (2) income from one enterprise, (3) one-fourth share, and (4) one-third share. At the time of the interview, he was planning to buy a larger share of the farm chattels in order to change to a one-half arrangement. Such a progression is typical of the experience of many sons who now operate on a 50-50 basis with their fathers.

The father-son one-half share arrangement, like other father-son arrangements, has many variations from the usual. It is customary for the father to contribute some of his own labor to the farm, yet it is sometimes recognized that this is not necessary for equitable dealings and some other factor

is adjusted to compensate for it. In adjustment, the son may be asked to pay one-half of the real estate taxes and insurance or to pay for all of the extra labor. Other conditions of this kind, such as free board and lodging for the son, although usually bringing out no compensating adjustment, are sometimes considered and adjustments made for them.

In a few cases, it was argued that since the son inherits the farm, he should share in the real estate maintenance expense. On the other hand, others maintained that if there are several heirs, there should be provisions in the lease safeguarding the son's interest in such improvements as he should make. Situations such as these make it evident that the following



A "paper attack" on farm problems by father and son. A written lease lays a firm foundation. Farm records and accounts find the "leaks."

conditions, while probably describing the most usual one-half share arrangements, do not describe accurately all of the arrangements which are known by that name.

*Contributions of Son.*—One-half of all livestock including work horses (in some advanced cases the son contributes all of the work horses); one-half of all equipment (in most advanced cases the son contributes all of the equipment); one-half of all operating expenses, including personal property insurance and taxes; all or part of the labor required, according to the conditions.

*Contributions of Father.*—All real estate; one-half of all livestock including work horses (in some advanced cases the son contributes all of the work horses); one-half of all equipment (in most advanced cases the son contributes all of the equipment); one-half of all operating expenses, including personal property taxes and insurance; all real estate taxes, insurance,

and maintenance expenses; none or part of labor required, according to the conditions.

*Remunerations.*—Father and son each receive one-half of all the operating receipts.

## VI. SONS' TWO-THIRDS SHARE

This arrangement was found only on two-son farms. It amounts to a one-third share for each son and one-third share for the father.

*Contributions of Sons.*—All work horses and two-thirds of all other livestock; all equipment; two-thirds of operating expenses; two-thirds of all taxes; all labor.

*Contributions of Father.*—All real estate; one-third of all livestock excepting horses; one-third of operating expenses; one-third of all taxes.

*Remunerations.*—Sons receive two-thirds of all the operating receipts, father receives one-third.

## VII. PARTNERSHIP

This arrangement usually has the following characteristics: (1) equal ownership of all farm chattel property, (2) equal division of operating expenses, including personal property insurance and taxes, (3) equal payment of investment return to father as owner, (4) payment by father of taxes, insurance, and maintenance expenses on real estate, and (5) equal division of operating receipts. One farmer in western Ohio described the arrangement as "a partnership, of father and son, which cash-rents the farm from the father" (see 3, above). The rent or investment return is determined customarily by applying a fair rate of return to the value of the farm. For example, if the farm is valued at \$20,000 and a rate of 4 per cent is used, the return on investment to the father would be \$800 a year. In other words, \$800 would be taken out of the farm receipts to pay the father for the use of the farm.

This arrangement is also well adapted for use when the father and son rent the farm from an outside landlord. In this case, however, both the father and son pay the rent to a landlord who is not a member of the partnership. Otherwise the arrangement is the same as given above.

## VIII. CASH RENTAL

In a cash rental system the father furnishes only land and buildings, and for their use is paid a cash payment, or rental, by the son. Ordinarily, this arrangement has few of the father-son characteristics that are evidenced in other arrangements. However, special attentions by the father, such as advice on farming methods or the provision of credit, sometimes make this arrangement differ from the usual landlord-tenant setup, and for this reason it is listed here.

## Examples of Written Agreements Between Father and Son

. .

A much lower proportion of father-son agreements are written than is the case with agreements made between unrelated landlords and tenants. However, this does not indicate that written agreements between fathers and sons are less desirable. There are several advantages to the use of a written agreement which apply equally well to father-son agreements and to the usual landlord-tenant contract. It serves as a record to which either father or son may refer in case of doubt as to the terms of their agreement, and in this way helps to prevent misunderstandings. A written agreement is likely to be more carefully considered by both parties, and its terms defined with greater precision. In case of death, a written contract protects the estate of the deceased.

The most successful agreements are those drawn up to fit specific farm conditions. For this reason the following one-third share and partnership agreements should not be looked upon as adequate for use in every instance in which such agreements are desired. They are included as examples of *one* way in which these agreements may be written.

### Father-Son One-Third Share Agreement

THIS AGREEMENT entered into the..... day of..... 19....., between..... the Father, and..... the Son.

The Father, in consideration of the conditions hereinafter mentioned, agrees to rent the following described real estate:.....

.....

situated in the County of....., in the State of....., to the Son for a period of one year beginning on....., 19....., at 12 noon, with the privilege of renewal upon like terms and conditions for each succeeding year as long as satisfactory to both parties. Notice to terminate this agreement shall be given in writing at least..... months prior to the beginning of the succeeding lease year.

The Father shall furnish the land and buildings as described above and all material and labor for any capital improvements on the same. He shall also pay all taxes and insurance on said real estate and furnish all of the work horses, equipment, machinery, and tools used in conducting the farm business. In addition to the above the father shall contribute a..... portion of his working time toward carrying on the current farm business. The Son shall contribute his entire labor and management to the farm and pay for any extra labor employed in the farm operations. Father and Son to own jointly on a  $\frac{2}{3}$ - $\frac{1}{3}$  basis, all of the livestock excepting horses.

Living arrangements are to be provided for both Father and Son and their families. If an additional house is rented the rental cost shall be paid by the father. If either party furnishes the board, lodging, or laundry of the other, the party so furnished shall pay to the one providing these items. .... dollars per month.

The general operating plans shall be discussed and agreed upon at the beginning of each fiscal year. Adjustments that appear feasible during the ensuing year shall be made after being agreed upon by both parties. Farm records and accounts will be carefully kept and summarized by the Son. Other agreements in regard to management: .....

.....  
.....  
.....

The following expenses are to be paid by the Father and Son on a  $\frac{2}{3}$ - $\frac{1}{3}$  basis:

Taxes and insurance on all livestock; purchases of livestock; fertilizer and lime; seed; purchased feed; spray materials; threshing; silo filling; electric lights and power; gasoline and oil for power equipment; and such other expenses as mutually agreed necessary for the operation of the farm.

The receipts from the sale of jointly owned products shall be divided between the Father and Son on a  $\frac{2}{3}$ - $\frac{1}{3}$  basis. Income from labor off the farm by either the Father or the Son will or will not (cross out one) be considered as a part of the income to be divided.

At the expiration of this agreement, the Father shall pay the Son an amount equal to one-third of any increase in the value of real estate resulting from an increase in the value of a growing orchard, higher productivity of the soil, the clearing of fence rows or additional land. The Son shall not share in an increase in the value of real estate owing to a higher level of all land prices.

It is further agreed that.....  
.....  
.....  
.....

At the expiration of this agreement all the jointly owned farm property shall be divided, the Father to have the option to purchase the Son's interest at current market prices.

Differences between the parties of this agreement shall be referred to three disinterested persons, one to be chosen by the Father, one by the Son, and two thus selected to choose a third. The decision of these three shall be binding.

..... Father  
Witnessed by: ..... Mother  
..... Son

(NOTE: It should be observed that, except for the provision of labor by the father, this agreement is essentially the same as the standard landlord-tenant agreement. In practice, the father is found to spend from very little to all of his working time upon the farm.)

## Father-Son Partnership Agreement

THIS AGREEMENT entered into the      day of      , 19      ,  
between      the Father, and      the Son.

The Father and Son named above hereby form a partnership for the sole purpose of operating a farm business on the following described real estate:

.....  
.....  
.....  
situated in the County of      , in the State of      ;  
and on any other land which said partners agree to rent for farming purposes.  
This partnership shall begin on      19      at 12 noon, and  
shall be renewed upon like terms for each succeeding year as long as satisfactory  
to both parties. Notice to terminate this agreement shall be given in writing  
at least      months prior to the beginning of the succeeding lease year.

Each party shall contribute his entire labor and management to the farm business.<sup>1</sup> The Father shall furnish the land and buildings as described above and all material and labor for any capital improvements on the same. He shall also pay all taxes and insurance on said real estate. Father and Son to own jointly on a 50-50 basis, all of the equipment, tools, livestock, feed, and supplies used in conducting the farm business.<sup>2</sup>

At the beginning of this partnership and on the first day of each succeeding partnership year, an inventory shall be taken to show the ownership, amounts, and value of the farm equipment, livestock, feed, growing crops, and farm supplies on hand.

General operating plans shall be discussed and agreed upon at the beginning of each fiscal year. Adjustments that appear feasible during the ensuing year shall be made after being agreed upon by both parties. All purchases involving more than      dollars shall be mutually agreed upon. A joint checking account shall be carried with      bank. Checks shall be signed by both parties, by either party (cross out one). Farm records and accounts will be carefully kept and summarized. Other agreements in regard to management: .....

The following expenses are to be paid by the Father and Son on a 50-50 basis:

Taxes and insurance on all jointly owned personal property; rent for additional land; purchases of livestock, new equipment, and tools; operating

<sup>1</sup> This agreement is made up on the assumption that both the father and the son will give their entire time to the operation of the farm. If the father works at other employment than the business of the partnership, adjustments can be made in the wage allowance of the father, or the father could assume a larger proportion of the hired labor or other expenses.

<sup>2</sup> Usually, the son acquires joint ownership in the personal property by giving the father a note for his one-half interest. In some instances the father retains a full interest in the mature livestock and then receives the total amount when they are sold. This reduces the initial investment of the son.



expenses of all equipment and tools; fertilizer and lime; seed; purchased feed; spray materials; wages and cash cost of board for hired labor; threshing; silo filling; electric lights and power; cost of credit used for livestock, equipment, tools, fuels, seeds, and supplies; and such other expenses mutually agreed necessary for the operation of the farm business.

The Father shall be paid an investment return amounting to . . . . . per cent of the value of the farm, which value is agreed to be \$ . . . . .

Father and Son shall each receive a monthly wage allowance. It is agreed that the monthly wage allowance for the Father shall be \$ . . . . . and for the Son \$ . . . . . These wage allowances to be paid, or such proportion of them as the farm earnings will allow, out of the farm receipts. The balance remaining after payment of the above expenses and allowances shall be divided between the Father and the Son on a 50-50 basis. Income from labor off the farm by either the Father or the Son will or will not (cross out one) be considered as a part of the gross income of the farm to be divided.

Until such time as the parties to this agreement terminate this agreement or make a major revision in it, changes in the inventory value of personal farm property will not be considered in making the yearly settlement.

Living arrangements are to be provided for both Father and Son and their families. If an additional house is rented for either party, the rental cost shall be shared the same as other farm operating expenses. If either party furnishes the board, lodging, or laundry of the other, the party so furnished shall pay to the one providing these items . . . . . dollars per month.

At the expiration of this agreement, the Father shall pay the Son an amount equal to one-half of any increase in the value of real estate resulting from an increase in the value of a growing orchard, higher productivity of the soil, the clearing of fence rows or additional land, or other improvements jointly made during the period of this agreement. The Son shall not share in an increase in the value of real estate resulting from a higher level of all land prices.

At the expiration of this agreement, all the jointly owned farm property shall be divided. The Father to have the option to purchase the Son's interest at current market values.

It is further agreed that . . . . .  
.....  
.....  
.....

Differences between the parties of this agreement shall be referred to three disinterested persons, one to be chosen by the Father, one by the Son, the two thus selected to choose a third. The decision of these three shall be binding.

.....Father  
.....Mother  
.....Son

Witnessed by:  
.....  
.....